

Committee on Resources

resources.committee@mail.house.gov

[Home](#) [Press Gallery](#) [Subcommittees](#) [Issues](#) [Legislation](#) [Hearing Archives](#)

TESTIMONY OF RALPH MINNICK,
CHIEF FINANCIAL OFFICER,
WARM SPRINGS FOREST PRODUCTS INDUSTRIES,
CONFEDERATED TRIBES OF THE WARM SPRINGS RESERVATION
OF OREGON,
Regarding
H.R. 1904, THE HEALTHY FORESTS RESTORATION ACT,
Presented to the
COMMITTEE ON RESOURCES, U.S. HOUSE OF REPRESENTATIVES,
In REDMOND, OREGON,
AUGUST 25, 2003.

Introduction

Mr. Chairman, Members of the Resources Committee, I am Ralph Minnick, the Chief Financial Officer for Warm Springs Forest Products Industries, a wholly owned subsidiary of the Confederated Tribes of the Warm Springs Reservation of Oregon. On behalf of the Warm Springs Tribal Council, which has asked me to testify today, I thank you for this opportunity to talk about H.R. 1904, the Healthy Forest Restoration Act, and in particular about Title II, its Biomass provisions, which is of particular and timely importance to Warm Springs Forest Products, to the Warm Springs community, and to the Tribe.

The Warm Springs Tribe and Reservation

The Warm Springs Reservation covers 650,000 acres in north central Oregon, running from the crest of the Cascade Mountain Range down the eastern slope to the canyon of the Deschutes River. It has always been, and will always remain, the home of the Confederated Tribes of Warm Springs. Most of our 4,200 Tribal members reside in the Reservation community of Warm Springs.

The Warm Springs forest and sawmill

Half our Reservation is forested, in Douglas fir and other conifers at the higher elevations, ponderosa pine further down, and juniper and sage at lower elevations. This is prime commercial forestland, and has been actively harvested since the 1930's. In 1940's, a sawmill was privately built at Warm Springs, and in 1967, our Tribe purchased it. In the early 1970s, we acquired two used boilers and three steam turbine generators to burn our hogged fuel and generate electricity. This electricity was principally for the mill's own use, but, facilitated by the Tribes' involvement with a nearby hydroelectric project, we also tied it into the local electric system, which enabled us to also sell our electricity into the broader Northwest market place.

Slow-down at the mill

The harvest of our Tribe's timber is a principal source of income for the Warm Springs Tribal government, and logging and work in the mill provide significant employment for our community. Our forest products enterprise, Warm Springs Forest Products Industries (WSFPI), provides 135 full time jobs and an annual payroll of over \$6 million. Local loggers working with WSFPI generate additional revenues of over \$7 million a year.

Today's forest-related revenue and job figures for Warm Springs, however, are down substantially. The soft timber market and a reduction in harvest from past accelerated levels recently prompted the mill to eliminate the second shift, with a consequent loss of 65 full time jobs. And our mill, the last still operating in north central Oregon, remains under economic pressure.

Exploring biomass potential

With this difficult financial picture, we are actively exploring other potential sources of revenue, and with our boiler – generator power plant and the proximity of several National Forests, we have been closely examining the potential for biomass generation at Warm Springs Forest Products Industries.

In the early 1970s, WSFPI purchased our power plant from the Fairbanks Exploration and Mining Company. Originally erected in 1927 in Alaska, the plant was disassembled and shipped to Warm Springs, where it was rebuilt and put back in operation in 1976. During reconstruction, the two Babcox & Wilcox power boilers were converted from coal-fired units to Dutch oven hogged fuel-fired units. They operate at 650 degrees f and generate 250 pounds per square inch of pressure. They are tied to three General Electric steam turbine electric generators rated at 3.75 megawatts each (3.0 mW at 80% capacity).

Separately, WSFPI also has two hogged-fuel process boilers, operating at 350 degrees f and 125 pounds per square inch, to heat our lumber drying kilns.

The WSFPI electric power plant is tied into the Pacific Power electrical system, and the enterprise has sold electricity to Pacific Power in the past. However, due to the cost to produce power in these aging units and the current wholesale price of electricity, we are only periodically producing power for our mill operations, depending on our accumulation of chips.

The availability of biomass fuel

Another key factor in our examination of biomass generation is the presence of significant amounts of potential wood fuel in our area. Our power plant, operating to generate a steady 4.6 mW, would require 46,600 bone dry tons of woody material a year. Please note that, in our experience, most biomass fuels sales are conducted in bone dry tons. It requires approximately two green tons of material to produce one bone dry ton. Our two process boilers for our kilns require 39,228 bone dry tons per year. To operate our power boilers and our process boilers would require 85,828 bone dry tons a year. Our sawmill, processing the full annual allowable cut from our Reservation, produces 51,750 bone dry tons annually, leaving us with a potential need of 34,078 bone dry tons a year. Some of that need could be met with material from our Reservation, but while we don't have exact figures at this point, it would substantially less than half. It is our understanding that the surrounding National Forests could easily provide whatever balance would be necessary. It has been reported the Deschutes National Forest has over 500,000 acres in need of thinning and fuels treatment. At a minimum, a treated acre should produce two bone dry tons of material. If 50,000 acres a year are treated in the Deschutes National Forest alone, at least 100,000 bone dry tons of material could be generated a year for ten years. Clearly, there is sufficient biomass material available around central Oregon for us and other generators.

We should also point out that these excess woody materials in those National Forests are in dire need of removal. According to the Central Oregon Intergovernmental Council's report "COPWRR Strategy Framework, Reducing the Risk of Wildfire in Central Oregon by Removing and Utilizing Forest Fuels," December 2002, over 740,000 acres in Deschutes, Jefferson, and Crook Counties are in fire Condition Class 2 or 3. 500,000 acres (31%) of the Deschutes National Forest was at "abnormally high risk from large stand replacement infestations, disease outbreaks and wildfire, predominantly in the ponderosa pine, mixed-site species, and lodgepole pine plant associations."

Federal and State agencies, as well as the Warm Springs Tribe, recognize that catastrophic fires in overstocked stands are a serious potential in Central Oregon. Reducing the risk of catastrophic fire, insects and disease is top priority. Over recent years, including right now, our Reservation and several nearby National Forests were, or are being, significantly affected by wildfire.

· On July 9, 2002 - The Eyerly Fire begins on the Warm Springs Indian Reservation along the Metolius arm of Lake Billy Chinook. Over the next 18 days the fire burned over 23,000 acres of Reservation, Deschutes N.F. and private lands until containment on July 26. The fire burned into the Three Rivers Subdivision where 18 homes were destroyed.

- On July 13, 2002 - The 747 fire begins in the Black Canyon Wilderness on the Ochoco N.F. Over the next 27 days the fire burned nearly 17,000 acres of National Forest and private lands until containment on August 8.
- On July 23, 2002 - The Cache Mountain Fire begins on the Deschutes N.F.. Over the next 10 days the fire burned nearly 3900 acres of National Forest and private lands until containment on August 1. The fire burned into Black Butte Ranch where 2 homes were destroyed.
- On June 28, 2003 – the Davis Fire starts on the Deschutes National Forest. The origin was near East Davis Lake campground on the Crescent Ranger District, Deschutes National Forest. The Davis Fire was declared 100% contained on July 6, 2003 at approximately 21, 181 acres in size.
- On July 23, 2003 – the 18 Fire starts on the Deschutes National Forest near Bend. The Woodside Subdivision of Bend is put on evacuation alert. The 18 Fire burned in mixed conifer and sagebrush and burned about 3,800 acres. On July 26, 2003, it was contained.
- And as of the writing of this testimony, the Bear Butte fire, ignited just last night in the Deschutes National Forest Jefferson Wilderness, has grown to more than 4,000 acres, the majority of which has spread to our Reservation and is now burning toward our commercial timber stands.

The removal and disposal of forest residue in Central Oregon is needed. It will help preserve our neighboring National Forests, in which Warm Springs has substantial trust, treaty, and cultural rights and interests. It will help protect our own Warm Springs forest resource, which the U.S. has an obligation to protect as a major trust asset. And it could be a source of biomass economic development for Warm Springs Forest Products.

Prospects for Warm Springs biomass

Our examination of local biomass potential shows us that, presently for Warm Springs Forest Products, it is only at the financial margin. Our aging power plant does not operate at peak efficiency. To generate 4.6 mW over a year, it will burn 46,600 bone dry tons, or roughly double that amount of green tons. Even though there is a tremendous amount of potential fuel nearby, with such large volumes, its handling and transportation costs are a significant factor. And the current wholesale price of electricity is determinative, either as an avoided cost, if we were to dedicate our generated power to the mill, which requires about 5 mW, or as a potential power purchase price to draw us into the market.

At today's electricity prices, if we pay more than \$10 a bone dry ton for fuel for our power boilers, it is cheaper to shut them down and buy the mill's electricity from our local utility. Additionally, wood chips are not plentiful in our area today, and buying a steady supply commands about \$33 a bone dry ton. So, we don't run our power boilers much and we buy most of our electricity.

A Commercial Utilization Grant of up to \$20 a green ton in Section 302(a) of H.R. 1904 could dramatically change that. As I discussed earlier, to run our power boilers all year, in addition to our process boilers, WSFPI would need 34,000 bone dry tons beyond what the mill produces from our annual allowable cut. Some of that additional need could come from the Reservation, but the bulk of it would have to be purchased in the marketplace. For discussion purposes, let's say we would have to buy 25,000 bone dry tons in the open market. With a bone dry ton roughly equating to two green tons, we would need 50,000 green tons. If a bone dry ton commands \$33, a green ton ought to command about half that, or \$16.50, an amount well within the \$20 per green ton maximum authorized in H.R. 1904 for Commercial Utilization Grants.

The point of the above hypothetical exercise is to demonstrate that, at assistance of up to \$20 a green ton, the Commercial Utilization Grant program could have a significant impact on WSFPI's operation of our boilers, burning tens of thousands of green tons of forest residue a year. Moreover, if fuels removal activity accelerates in our nearby National Forests, the local price of wood fuel should decrease.

We also support the Value Added Grant Program in Section 203(b) of the bill. At the \$100,000 maximum grant level now in the bill, it could, for instance, help WSFPI acquire a used portable chipper for about \$175,000. Currently, our lack of an in-the-woods chipper prevents us, and the Warm Springs tribal member logging crews we hire, from directly bidding on biomass forest projects for our mill. If the Committee wanted to make the Value Added Grant benefits available to a wider range of communities, and I must say that

could include Warm Springs, we suggest that, if possible, the legislation adopt the \$500,000 grant limit proposed in Section 533 of the reported version of S. 14, the Improved Biomass Utilization Grant Program in the now-sidelined version of the Senate energy bill. Again, a broader range of assistance under these grants would enable a wider array of communities and potential operators at otherwise marginal or distressed locations to viably operate biomass plants.

Also with regard to the Value Added Grant program, we ask that, in the final bill, the definition of "preferred communities" be clarified to include Indian tribes. Otherwise, it is possible that tribes could be excluded from the first - and perhaps only - round of such grants. H.R. 1904 as reported from the Senate Agriculture, Nutrition and Forestry Committee, we note, makes this adjustment.

We strongly support both the Commercial Utilization Grant and Value Added Grant provisions.

Comments on the Senate version of H.R. 1904

If I might take this opportunity to briefly further comment on the Senate reported version of H.R. 1904, we support the inclusion of the separate tribal watershed program in Section 303, Title III. Water is only as clean as the last watershed through which it has passed, making coordinated and cooperative watershed management across different jurisdictions particularly important. Moreover, many tribal communities, including Warm Springs, depend upon forested watersheds for domestic water supplies, making their management and protection especially important.

We also support the inclusion of tribes in new Title VI, the Public Land Corps, and in new Title VII, the Rural Community Forestry Enterprise Program. Both would be a great help to Warm Springs.

An idea: tribal preference in stewardship contracting adjacent to the reservation

Finally, I would like to make a plug for language granting tribes preference in stewardship contracting on National Forest and BLM forest lands bordering or adjacent to Indian trust forest land. Our forests are essential to our economic and cultural well-being, and as assets held in trust by the United States, the U.S. has a duty to protect them, including protecting them from fire or disease from adjacent federal public forests. To facilitate such protection, several timber tribes and the Intertribal Timber Council have been working with the Senate on a pilot project limited to no more than twelve timber tribes around the country. The tribes would have to voluntarily apply and qualify in terms of capability, the significance of their forest resource, and their exposure to potential threat from federal public forests. The preference would only apply to tribes meeting stewardship contracting criteria, and could not displace any already operating stewardship contractors. If this were to be adopted in the Healthy Forests bill, Warm Springs would apply and hopefully participate. It would, we believe, allow the U.S. and concerned timber tribes an opportunity to team-up in the protection of Indian forest trust assets. If the chance arises, we hope the Resources Committee could support this idea.

Conclusion

Mr. Chairman, Committee Members, that concludes my testimony. Warm Springs Forest Products Industries and the Confederated Tribes of Warm Springs strongly support H.R. 1904's efforts to facilitate biomass generation. We hope our comments have been helpful, and we thank you again for asking Warm Springs to appear before you today.